


Queensland Property Investment Pty Ltd - Brisbane

PROPERTY INVESTMENT ANALYSIS

29-Mar-2010

Prepared for: Lot 49 Birdwood Sanctuary
 Consultant:
 Property:
 Description:

SUMMARY

	Assumptions		Projected results over	10 yrs
	Property value	\$425,000	Property value	\$917,543
	Investment	\$5,000	Equity	\$477,817
	Gross yield	5.10%	After-tax return /yr	36.71%
	Net yield	3.45%	Net present value	\$324,438
	Growth rate	8.00%	IF SOLD	
	Inflation rate	3.00%	Selling costs & CGT	\$147,337
	Interest rate	6.75%	Equity	\$330,481
	Taxable income	\$80,000	After-tax return /yr	30.90%

COMPUTER PROJECTIONS

Investment Analysis	Projections over 10 years					
	2010	1yr	2yr	3yr	5yr	10yr
End of year						
Property value	\$425,000	459,000	495,720	535,378	624,464	917,543
Purchase costs	\$14,300					
Investments	\$5,000					
Loan amount	\$439,726	439,726	439,726	439,726	439,726	439,726
Equity	\$-14,726	19,274	55,994	95,652	184,739	477,817
Capital growth rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Inflation rate (CPI)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Gross rent /week	\$425	21,658	22,849	24,106	26,830	35,066
Cash deductions						
Interest (I/O)	6.75%	29,681	29,681	29,681	29,681	29,681
Rental expenses	31.73%	7,012	7,292	7,584	8,203	9,980
Pre-tax cash flow	\$-5,000	-15,035	-14,125	-13,160	-11,054	-4,595
Non-cash deductions						
Deprec.of building	2.50%	6,500	6,500	6,500	6,500	6,500
Deprec.of fittings	\$22,000	2,933	2,542	2,203	1,655	809
Loan costs	\$5,426	1,085	1,085	1,085	1,085	
Total deductions		47,212	47,101	47,054	47,124	46,971
Tax credit (single)	\$80,000	8,422	8,056	7,691	7,196	4,703
After-tax cash flow	\$-5,000	-6,613	-6,069	-5,469	-3,858	108
Rate of return (IRR)	36.71%					
Pre-tax equivalent	60.68%	Your cost /(income) per week				
		127	117	105	74	(2)

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against Queensland Property Investment Pty Ltd - Brisbane, its servants, employees or consultants..

Tabulated Breakdown of Spreadsheet Items

PROPERTY VALUE (average growth of 8.00% per year)

Property price:	425,000
Total book value:	425,000
Property market value:	\$425,000

PURCHASE COSTS

Conveyancing costs:	1,000
Govt. Stamp duty:	13,300
Total Purchase costs:	\$14,300

LOAN COSTS

Establishment fees (0.50% of loan):	2,199
Mortgage insurance (0.32% of loan):	1,407
Mortgagee's solicitor's fees:	1,000
Valuation fees:	300
Registration of mortgage:	230
Registration of title:	115
Search fees:	175
Total loan costs:	\$5,426

CONTRIBUTION TOWARD TOTAL COSTS

	Investments	Loan	Total Cost
Property costs:	5,000	420,000	425,000
Renovation costs:	0	0	0
Purchase costs:	0	14,300	14,300
Furniture costs:	0	0	0
Loan costs:	0	5,426	5,426
Totals:	\$5,000	\$439,726	\$444,726

LOAN DETAILS

Loan type:	I/O Yrs 1-40
Interest rate (yr 1) (%)	6.75
Loan:	\$439,726
Loan costs (written off over 5 yrs):	\$5,426
Monthly payment:	\$2,473
Annual payment:	\$29,681

RENT

Rent per week:	425
Potential annual rent:	22,100
Vacancy rate (%):	2.00
Annual rent:	\$21,658

CASH DEDUCTIONS

Loan interest:		\$29,681
Rental expenses		
Regular Expenses:		
Agent's commission (8.25%):	1,787	
Letting fees:	425	
Rates:	2,000	
Insurance:	1,000	
Maintenance:	1,800	
Special expenses:	0	
Total expenses:		\$7,012
Regular expenses as % of annual rent:		31.73%
Net yield or Capitalisation rate:		3.45%

PRE-TAX CASH FLOW

Year	Initial	1yr	2yr	3yr	5yr	10yr
Rent		21,658	22,849	24,106	26,830	35,066
Cash invested	5,000	0	0	0	0	0
Principal payments		0	0	0	0	0
Interest		29,681	29,681	29,681	29,681	29,681
Expenses		7,012	7,292	7,584	8,203	9,980
Pre-tax cash	\$-5,000	\$-15,035	\$-14,125	\$-13,160	\$-11,054	\$-4,595

NON-CASH DEDUCTIONS

Depreciation on the building (Capital allowance)	
Property value:	\$425,000
Construction cost:	\$260,000
Depreciation allowance rate (%):	2.50
Depreciation allowance:	\$6,500

Depreciation of fittings (diminishing value method)			
Item	Value	Effective Life (yrs)	Depreciation
General fittings	22,000	15.00	2,933
Total	\$22,000		\$2,933

Loan costs (written off over 5 yrs):	\$5,426
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TOTAL TAX DEDUCTIONS (Cash & Non-Cash Deductions)

Year	1yr	2yr	3yr	5yr	10yr
Interest	29,681	29,681	29,681	29,681	29,681
Expenses	7,012	7,292	7,584	8,203	9,980
Deprec.-building	6,500	6,500	6,500	6,500	6,500
Deprec.-fittings	2,933	2,542	2,203	1,655	809
Loan costs	1,085	1,085	1,085	1,085	0
Total deductions	47,212	47,101	47,054	47,124	46,971

TAX CREDITS & AFTER-TAX CASH FLOW

(Refunds credited in same year as deductions incurred)

Year	2010	1yr	2yr	3yr	5yr	10yr
Pre-tax cash	-5,000	-15,035	-14,125	-13,160	-11,054	-4,595
Tax credits		8,422	8,056	7,691	7,196	4,703
After-tax cash	-5,000	-6,613	-6,069	-5,469	-3,858	108
Cost /(income) per week		127	117	105	74	-2

INTERNAL RATE OF RETURN (over 10 years)

Internal rate of return (IRR)	36.71%
Pre-tax equivalent of IRR	60.68%
Internal rate of return (if sold)	30.90%
Net present value (NPV)	\$324,438
Cash on cash return	-132.27%
Cash positive by year	10

Cash neutral investment

\$156,536

PROJECTIONS OVER 20 YEARS

Year	Property value	Equity	Rent	Total deductions	Pre-tax cash flow	Tax credit	After-tax cash flow
	\$425,000	\$-14,726			\$-5,000		\$-5,000
1yr	\$459,000	\$19,274	\$21,658	\$47,212	\$-15,035	\$8,422	\$-6,613
2yr	\$495,720	\$55,994	\$22,849	\$47,101	\$-14,125	\$8,056	\$-6,069
3yr	\$535,378	\$95,652	\$24,106	\$47,054	\$-13,160	\$7,691	\$-5,469
4yr	\$578,208	\$138,482	\$25,432	\$47,063	\$-12,137	\$7,407	\$-4,730
5yr	\$624,464	\$184,739	\$26,830	\$47,124	\$-11,054	\$7,196	\$-3,858
6yr	\$674,422	\$234,696	\$28,306	\$46,147	\$-9,906	\$6,640	\$-3,266
7yr	\$728,375	\$288,650	\$29,863	\$46,297	\$-8,691	\$6,419	\$-2,272
8yr	\$786,645	\$346,920	\$31,505	\$46,486	\$-7,403	\$5,917	\$-1,486
9yr	\$849,577	\$409,851	\$33,238	\$46,711	\$-6,039	\$5,322	\$-717
10yr	\$917,543	\$477,817	\$35,066	\$46,971	\$-4,595	\$4,703	\$108
11yr	\$990,947	\$551,221	\$36,995	\$47,262	\$-3,066	\$4,055	\$989
12yr	\$1.070m	\$630,497	\$39,030	\$47,584	\$-1,446	\$3,379	\$1,933
13yr	\$1.156m	\$716,114	\$41,176	\$47,934	\$269	\$2,669	\$2,938
14yr	\$1.248m	\$808,582	\$43,441	\$48,313	\$2,084	\$1,925	\$4,009
15yr	\$1.348m	\$908,446	\$45,830	\$51,291	\$4,007	\$2,157	\$6,164
16yr	\$1.456m	\$1.016m	\$48,351	\$48,809	\$6,042	\$181	\$6,223
17yr	\$1.573m	\$1.133m	\$51,010	\$49,314	\$8,196	\$-670	\$7,526
18yr	\$1.698m	\$1.259m	\$53,816	\$49,840	\$10,476	\$-1,570	\$8,906
19yr	\$1.834m	\$1.394m	\$56,776	\$50,386	\$12,890	\$-2,524	\$10,366
20yr	\$1.981m	\$1.541m	\$59,898	\$50,954	\$15,444	\$-3,533	\$11,911

EQUITY PROJECTIONS

Projected values over	5 yrs	10 yrs	15 yrs	20 yrs
Property value	624,464	917,543	1.348m	1.981m
Loan	439,726	439,726	439,726	439,726
EQUITY	\$184,739	\$477,817	\$908,446	\$1.541m
Internal rate of return	61.83%	36.71%	27.94%	23.52%
Approximate costs if sold...				
Capital Gains Tax	40,283	117,021	224,283	376,526
Solicitor's fees	3,122	4,588	6,741	9,905
Sales commission	17,668	25,727	37,570	54,970
EQUITY (after sale)	\$123,666	\$330,481	\$639,853	\$1.100m
Internal rate of return (if sold)	46.40%	30.90%	24.70%	21.42%

TAX BENEFITS

These are shown below for the given taxable incomes and are based on the specified tax scale.

Number of properties: 1

	Investor	Partner	Total
Ownership: single name	100.00%	0.00%	100%
Present taxable income:	80,000	30,000	110,000
Rental income:	21,658	0	21,658
Total income:	101,658	30,000	131,658
Rental deductions:	47,212	0	47,212
New taxable income:	54,446	30,000	84,446
Present tax:	19,050	2,700	21,750
New tax:	10,628	2,700	13,328
Tax saving:	\$8,422	\$0	\$8,422

INVESTMENT CAPACITY

Buying 1 such properties (registered in single name), and taking into account current net incomes and living expenses as shown, the difference between total income and total committed expenses in the first year would be \$22,688. Total initial outlay would be \$5,000.

Number of Properties: 1		Registered: single name
Ownership:	Investor (100.00%)	Partner (0.00%)

Income**Present net income**

Current assessable income (investor):	80,000
Current assessable income (partner):	30,000
Total net income:	110,000
New rental income:	21,658
Total income:	\$131,658

Expenses

New tax (investor):	10,628
New tax (partner):	2,700
Rental expenses:	7,012
Investment loan expenses:	29,681
Home loan payments:	18,249
Living expenses:	40,700
Total expenses:	\$108,970
Net surplus (first year of investment):	\$22,688
Total initial outlay required:	\$5,000